LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6502 | **NOTE PREPARED:** Jan 12, 2013
BILL NUMBER: HB 1351 | **BILL AMENDED:**

SUBJECT: Prosecuting Attorney Pensions.

FIRST AUTHOR: Rep. Cherry | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: The bill provides that a participant in the Prosecuting Attorneys Retirement Fund (PARF) with service at any time after June 30, 2006, is entitled to a retirement benefit after eight years of service, regardless of whether any part of that service occurs before July 1, 2006.

The bill provides that the Board of Trustees of the Indiana Public Retirement System (INPRS) shall grant service credit to a participant who withdrew from PARF for years of service accrued before the withdrawal if the participant pays into PARF the full amount of the money received when the participant withdrew.

Effective Date: July 1, 2013.

Explanation of State Expenditures: The total cost resulting from this bill depends on the number of PARF members who withdraw and later return to active employment in a covered position and are willing to pay to reinstate their prior service. To date, one PARF member has withdrawn from PARF and later returned to active employment in a covered position.

According to INPRS, PARF has 229 members, not including benefit recipients, who would be eligible to take advantage of this provision. As the cost is dependent upon the number of members who utilize it, INPRS' actuaries performed an analysis using three potential scenarios. These include:

(1) No members utilize the provision;
(2) 10% of eligible members (23 members) utilize the provision; and
(3) 20% of eligible members (46 members) utilize the provision.

The cost to members utilizing the provision would total the amount of contributions withdrawn at the date of termination plus a 6.75% interest charge.

The results of the analysis, using the three scenarios, are shown in the following table.

	Change in Unfunded Actuarial Liability	Change in Funded Ratio	Change in Annual State Contribution
Scenario #1 - No members withdraw and later pay to reinstate past service	$0	0%	$0
Scenario #2 - 23 members withdraw and later pay to reinstate past service	$333,522	-0.3%	($14,422)
Scenario #3 - 46 members withdraw and later pay to reinstate past service	$667,044	-0.6%	($28,846)

For prefunded plans such as PARF, costs are defined as the increase in the unfunded actuarial liability of the fund. Therefore, costs will increase, depending upon the number of members who take advantage of the provision.

The provisions within this bill will lower the funding ratio of PARF only minimally. The current funding ratio of PARF is 49%.

While the provision in the bill would increase the overall cost to PARF (if utilized), the provision would slightly decrease the annual contribution amount required by the state. This is due to the fact that members who reinstate past service generally have a lower future normal cost than do new members who are hired with no past service.

PARF is financed through a combination of employee contributions from prosecuting attorneys and chief deputy prosecuting attorneys as well as state General Fund appropriations.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System.

Local Agencies Affected:

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Definitions: Prefunded Plan - Prefunded plans are funded through contributions (from employees, employers, and/or other sources) that are actuarially calculated to equal the benefit accrual cost for the year (normal cost) plus a 30-year amortization of the unfunded actuarial liability.

Normal Cost - The normal cost is the current value of benefits likely to be paid on account of a member's service being rendered in the current year.

Unfunded Actuarial Liability - The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Funding Ratio - The funding ratio is the ratio of a pension or annuity's assets to its liabilities.